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RR RUEHAG RUEHDF RUEHLZ
DE RUEHMZ #0104/01 0521523
ZNR UUUUU ZZH
R 211523Z FEB 07
FM AMCONSUL MUNICH
TO RUEHC/SECSTATE WASHDC 3777
RUCPDOC/USDOC WASHDC 0019
RUCNFRG/FRG COLLECTIVE

UNCLAS SECTION 01 OF 02 MUNICH 000104

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STATE FOR EUR EUR/AGS

E.O. 12958: N/A

TAGS: [ECON](#) [EINV](#) [PGOV](#) [ETRD](#) [GM](#)

SUBJECT: BAVARIAN MINISTER ON PHARMACEUTICALS AND HEALTH CARE REFORM

Summary

¶1. On February 14, Consul General Nelson called on Christa Stewens, Bavarian Minister for Labor, Social Affairs, and Family, to discuss the potential impact of German health care reform on innovation in the Bavarian pharmaceutical sector. Stewens agreed with several of the points made by the CG, many of which the Bavarians had already pressed to ameliorate the final draft of the law, and promised to contact federal authorities in Berlin to seek improvements in the legislation. Her overall view of the health care reform legislation was rather pessimistic, but she intends to reserve full judgment until after its implementation. End Summary.

CONCERN OF THE PHARMACEUTICAL INDUSTRY

¶12. CG Nelson acknowledged Bavaria's, and especially Stewens' constructive role in the German health care reform legislative process through the Bavarian amendments to the legislation in the Bundesrat. There were, however, still some concerns on the parts of innovative pharmaceutical companies that needed to be taken into account if Bavaria is to remain attractive for research and development. Specifically, he observed that the role, procedures and lack of transparency of the Federal Joint Commission ["Gemeinsamer Bundesausschuss" (GBA)] and the Institute for Quality Assurance and Good Management ["Institut für Qualitätssicherung und Wirtschaftlichkeit" (IQWiG)] were not always conducive to innovation and technological progress [Note: The GBA is a joint committee of physicians, statutory health insurers, and hospitals. It decides on the scope of payments of statutory health insurers. In some cases it commissions the IQWiG to review new drugs as to their eligibility for reimbursement. End Note].

¶13. The CG noted that it was not clear which newly developed drugs are picked by the GBA for further examination. Also, he emphasized the pharmaceutical sector's concerns that the IQWiG's procedures are opaque. Examination criteria, for example, are unknown to the industry at the outset of a study. Furthermore, a firm has only four weeks to respond to IQWiG's preliminary report. This period is too short, particularly in the case of foreign companies that need to translate the reports and send them to their headquarters. Additionally, the IQWiG does not guarantee confidentiality of documents forwarded to it by industry.

¶14. Stewens conceded that the IQWiG's stance was sometimes unhelpful. She said that many of the problems created by the Institute stemmed from its leadership under Professor Peter Sawicki. She agreed that the Institute's procedures lacked transparency, but expressed the hope this would change, as the health care reform committed the IQWiG to comply with internationally acknowledged standards and procedures. Additionally, the new legislation provided for a time limit for its examinations. An official from

the Ministry added that, in general, the GBA tended to examine expensive new drugs that cured common illnesses (diabetes, asthma etc.). Stewens conceded that a general lack of predictability concerning health care reform was the biggest problem for the pharmaceutical industry in Germany. The Minister was receptive to our remarks and promised to advocate to both the Federal Chancellery and Federal Health Ministry to press for more generous time limits and the guarantee of confidentiality on the part of the IQWiG. She added that information on specific cases would help her make a stronger case.

STEWENS VIEWS ON HEALTH CARE REFORM IN GENERAL

¶15. CG Nelson asked the minister about her view of the German health care reform overall. She told us that she was not happy with the reform because it failed to address Germany's demographic problem. Furthermore the reform had not achieved the CDU/CSU's goal of flat-rate premiums, rather than premiums based on a percentage of a worker's income. She said the only reason why the CDU/CSU minister-presidents had agreed to a compromise on the reform was to avoid destabilizing the Grand Coalition. She conceded that it was too early to assess the impact of the reform because it had not yet been put into practice. Stewens added she was doubtful the reform will be fully implemented.

COMMENT

¶16. We were pleased with the receptive audience we received with Minister Stewens. She apparently understands the imperative for Bavaria to be seen fostering a supportive environment for innovative

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firms, if it is to maintain its place as one of Germany's innovation centers - a point we make frequently with our Bavarian contacts. Bavaria's other challenge is to balance its parochial interest in not subsidizing the health care costs of Germany's less affluent regions, while not being seen as blatantly opposing the agenda of the Merkel government in Berlin.

¶17. Previous reporting from Munich is available on our SIPRNET website at www.state.sgov.gov/p/eur/munich/ .

NELSON